

DEPARTMENT OF ENERGY
FY 2000 CONGRESSIONAL BUDGET REQUEST
ELK HILLS SCHOOL LANDS FUND

PROPOSED APPROPRIATION LANGUAGE

For necessary expenses in fulfilling the [first] *second* installment payment under the Settlement Agreement entered into by the United States and the State of California on October 18, 1996, as authorized by Section 3415 of Public Law 104-106, \$36,000,000 shall be available for payment to the State of California for the State Teachers' Retirement Fund from the Elk Hills School Land Fund.

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(Tabular dollars in thousands, Narrative in whole dollars)

Elk Hills School Lands Fund

I. Mission Supporting Goals and Objectives:

Pursuant to Public Law 104-106, the National Defense Authorization Act for FY 1996 (the Act), DOE competitively sold the Government's interest in Naval Petroleum Reserve Numbered 1 (NPR-1 or Elk Hills). Section 3415 of the Act required, among other things, that the Department make an offer of settlement to the State of California with respect to its longstanding claims to two parcels of land ("school lands") within NPR-1. The Act also provided for nine percent of the net sales proceeds to be reserved in a contingent fund in the Treasury for payment to the State, subject to appropriations. In compliance with the Act and in order to remove any cloud over title which could diminish the sales value of the Reserve, the Department entered into a Settlement Agreement with the State on October 18, 1996. The Agreement calls for payments totaling nine percent of the net sales proceeds from the contingent fund, subject to annual appropriations, beginning in FY 1999 and continuing over a seven-year period. Under the Settlement Agreement, the first five installments are for \$36,000,000 each year, and any remaining balance is to be paid in two equal installments in years six and seven, FY 2004 and FY 2005.

DOE has deposited \$298 million in the contingent fund. Additional funds may be added to the contingent fund when the equity shares are finalized with Chevron USA, Inc. (a part-owner of Elk Hills) and all of the divestment-related costs are determined.

II. A. Funding Schedule: Elk Hills School Lands Fund

<u>Activity</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>\$ Change</u>	<u>% Change</u>
Installment Payment	<u>\$ 0</u>	<u>\$ 36,000</u>	<u>\$ 36,000</u>	<u>\$ 0</u>	0%
Total, Elk Hills School Lands Fund	<u><u>\$ 0</u></u>	<u><u>\$ 36,000</u></u>	<u><u>\$ 36,000</u></u>	<u><u>\$ 0</u></u>	0%

II. B. Laboratory and Facility Funding Schedule: Elk Hills School Lands Fund

Activity	FY 1998	FY 1999	FY 2000	\$ Change	% Change
State of California	\$ 0	\$ 36,000	\$ 36,000	\$ 0	0%
Total, Elk Hills School Lands Fund	<u>\$ 0</u>	<u>\$ 36,000</u>	<u>\$ 36,000</u>	<u>\$ 0</u>	0%

III. Performance Summary: Elk Hills School Land Fund

Activity	FY 1998	FY 1999	FY 2000
Installment Payment	No activity.	Provides funding for first installment payment to the State of California under the terms of a settlement agreement regarding the State's claim to certain lands within NPR-1. The Agreement calls for payment to the State of nine percent of the net sales proceeds (subject to the availability of appropriated funds), payable over a seven-year period, without interest. The first five installments are for \$36 million each year, and any remaining balance is to be paid in two equal installments in years six and seven, FY 2004 and FY 2005.	Provides funding for second installment payment to the State of California under the terms of a settlement agreement regarding the State's claim to certain lands within NPR-1. The Agreement calls for payment to the State of nine percent of the net sales proceeds (subject to the availability of appropriated funds), payable over a seven-year period, without interest. The first five installments are for \$36 million each year, and any remaining balance is to be paid in two equal installments in years six and seven, FY 2004 and FY 2005.
Total, Elk Hills School Lands	\$0	\$36,000	\$36,000